

## *Great Lakes Trading Network*

### *Summary of the February 13, 2001 Conference Call*

Twelve people participated on the call, including: Mike Crimmins and Mark Kieser (Kieser Associates), Patricia Zurita (World Resources Institute), Richard Herd (Allegheny Energy), Bob Norwood (Connecticut Department of Environmental Protection), Claire Schary (EPA Region 10), Jim Klang (Minnesota Pollution Control Agency), Linda Stoll (Fox Wolf Basin 2000), Allison Wiedeman (EPA Chesapeake Bay Office), and Hale Thurston (EPA's R&D Center, Cincinnati Ohio). The call was chaired by Dave Batchelor (Michigan Department of Environmental Quality).

The January Call Summary was approved without any revisions.

### **Long Island Sound Program**

Bob Norwood provided the group with an update on the Long Island Sound project. The Total Maximum Daily Load (TMDL) has been submitted to Region 1 and received Draft approval. Final approval is expected soon. A bill has been submitted to the Connecticut legislature. This bill is expected to pass and enable a nitrogen general permit and trading to occur to be in compliance with the permit.

The TMDL for Long Island Sound addresses nitrogen loadings from 84 municipal point sources. The TMDL is based on a uniform allocation. The permit contains starting and ending points of nitrogen reduction that must be achieved under the TMDL. The trading program will take into account the different impacts of nitrogen from different regions of the state and allow a different but equal weighted load to comply with the TMDL.

The baseline for nitrogen reductions was established based on base-year flows and had the nitrogen concentration of a well run secondary treatment plant. This approach does not penalize anyone who has already installed nitrogen removal. Funding for the treatment upgrades is provided through the State Revolving Fund.

Members of the GLTN felt this program was a great solution for the Long Island Sound and a model that can be used by other watersheds facing similar conditions. An observation was made that the successful programs (Long Island Sound, Lower Boise River, Cherry Creek and Michigan) have several common elements. Trading has been established by state regulations, TMDLs have been developed that expressly allow for trading to occur, and mechanisms have been developed to incorporate trading in NPDES permits.

There was a lot of discussion on the Long Island Sound program and Bob Norwood agreed to provide the group with a short summary.

### **Trading Ratios to Retire NPS Loads**

Jim Klang facilitated the discussion of this topic. Jim posed several questions to the group that

have been raised by trading that have been done and are being considered in Minnesota. One issue is whether a trading ratio that establishes a net loading reduction for an individual NPS trade should be allowed when the overall NPS reductions needed to meet water quality standards are not being provided. The group discussed the benefits of incremental NPS loading reductions as progress towards attainment and earlier reductions being made before all NPS load reductions can be achieved under a TMDL.

Some in the Minnesota agricultural sector feel that trading is not fair because the farmers would in effect be selling point sources the low hanging fruit (lowest cost reductions) and then would have to implement higher cost management practices under the TMDL. This certainly would not be the case under a voluntary trading program. The selling price of the credits would take cost of BMP implementation and the comparable cost of point source into consideration. The seller sets the price based on market conditions, not just cost.

The group also discussed how the use of trading ratios and baselines could provide flexibility and help level the playing field between point sources and NPS. Many of the concerns related to TMDL-based trading can and should be addressed in the development of the TMDL allocations and implementation plan. Water quality impacts in most watersheds are due to point and nonpoint sources. Establishing a shared burden in reductions will mitigate equity issues. If the baselines for trading are the point source wasteload allocations and nonpoint source load allocations, then individual sources would have to make greater reductions to generate credits that could be traded. Phased implementation plans can be used to allow voluntary trading, followed by increasingly higher requirements for point and nonpoint sources until the overall level of required reductions is achieved.

Trading ratios have been used in different ways in different programs. Michigan's program calls for a 2:1 NPS:PS ratio. This ratio serves two purposes: one to address uncertainty and the second to provide a net load reduction and water quality benefit from each trade. The Lower Boise program uses a combination of ratios to address relative locations and distances between sources, loading/reduction equivalence and a best management practice uncertainty factor. Trading ratios in Cherry Creek are set by looking at three primary factors: uncertainty (institutional and scientific), net loading reduction (no net increase and environmental benefits of BMPs) and an additional margin of safety. In the Long Island Sound program, the trading ratios establish equivalence in loading/reductions to the sound.

Trading ratios can and are being applied differently to address specific conditions or achieve certain goals. Most trading ratios are falling in the range of 1.5:1 and 4:1.

### **Fox Wolf Basin 2000 Stormwater Conference**

Linda Stoll, Executive Director for the FWB 2000, announced that the FWB 2000 Stormwater Conference entitled: "Getting it Together with Stormwater...Tools, Rules & Smart Growth" will be held in Green Bay, Wisconsin on February 27th and 28th. Additional information and registration can be obtained by going to the FWB 2000 website at: <http://www.fwb2k.org>.

## **Next Conference Call**

The next call will be held on Monday, March 12, 2001.

1. The agenda will include: An overview of the tradable flow project that is being considered for Mill Creek in Ohio by Hale Thurston.
2. Results of WRI Trading Days in Michigan by Patricia Zurita.

